

CITY OF FRISCO, TEXAS

SINGLE AUDIT REPORT
September 30, 2012

CITY OF FRISCO, TEXAS
Frisco, Texas

SINGLE AUDIT REPORT
September 30, 2012

CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards.....	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs.....	7

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Members of the City Council,
City of Frisco
Frisco, Texas

We have audited the financial statements of the City of Frisco (the City) as of and for the year ended September 30, 2012, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Frisco is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

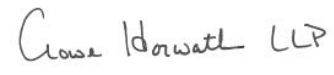
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the City, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.


Crowe Horwath LLP

Irving, Texas
February 26, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Members of the City Council,
City of Frisco
Frisco, Texas

Compliance

We have audited the City of Frisco's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of City's management. Our responsibility is to express an opinion on City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not

for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

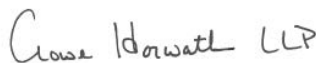
The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2012, and have issued our report thereon dated February 26, 2013 which expressed an unqualified opinion on those financial statements.

Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The purpose of this report is solely to describe the scope of our testing over compliance and internal controls over compliance with the requirements that could have a direct and material effect on each major program and the results of that testing, and not to provide a legal determination of compliance with those requirements or an opinion on the effectiveness of internal control over compliance. Accordingly, this report is not suitable for any other purpose.



Crowe Horwath LLP

Irving, Texas
February 26, 2013

CITY OF FRISCO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2012

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA Number</u>	<u>Pass-through entity identifying number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development::			
Direct Award:			
2010 Community Development Block Grant	14.218		\$ 100,687
2011 Community Development Block Grant	14.218		225,571
Total U.S. Department of Housing and Urban Development			<u>326,258</u>
U.S. Department of Justice:			
Passed through Office of Governor's Criminal Justice Division:			
2012 -Violence Against Women Grant	16.588	WF-11-V30-20264-04	70,006
2012-Domestic Violence & Sexual Assault Expansion	16.588	WF-11-V30-23598-02	56,507
2013 -Domestic Violence & Sexual Assault Expansion	16.588	WF-12-V30-23598-03	4,801
2012 -Victim Assistance Services Expansion	16.575	VA-11-V30-23800-02	33,745
2013 -Victim Assistance Services Investigation Expansion	16.575	VA-11-V30-23800-03	2,455
2013 -Victim Assistance Outreach Program	16.575	VA-12-V30-25620-01	-
Total Passed-through Governor's Office of Criminal Justice Division			<u>167,514</u>
Direct Awards:			
Smart Policing Initiative	16.738		105,669
Bullet Proof Vest Grant	16.607		8,269
Total Direct Awards			<u>113,938</u>
Total U.S. Department of Justice			<u>281,452</u>
U.S. Department of Transportation:			
Passed Through Texas Department of Transportation:			
2012 Selective Traffic Enforcement Program (STEP) Comprehensive	20.600	2012-FriscoPD-S-1YG-0091	58,044
2012 STEP Click It or Ticket Mobilization	20.602	2012-FriscoPD-CIOT-00020	4,134
Phillips Creek Hike and Bike Trail - ARRA	20.205	CSJ # 0918-46-260	710,227
Total U.S. Department of Transportation			<u>772,405</u>
U. S Department of Energy:			
Passed Through Texas Comptroller of Public Accounts			
2010 Traffic Signal Synchronization Grant - ARRA	81.041	TR-AG2-2010	1,361
Total Passed-through Texas Comptroller of Public Accounts			<u>1,361</u>
Direct Awards:			
Energy Efficiency and Conversation Block Grant -ARRA	81.128		269,572
Total Direct Awards			<u>269,572</u>
Total U. S. Department of Energy			<u>270,933</u>
U S Department of Homeland Security:			
Passed Through Texas Department of Public Safety:			
2010 Homeland Security Citizen Corp Program - Fire	97.053	2010-SS-T0-0008	963
2010- Homeland Security UASI - Fire	97.008	2010-SS-T0-0008	28,773
2011 - Homeland Security UASI - Fire	97.067	EMW-2011-SS-00019	18,810
Total Passed-through Texas Department of Public Safety			<u>48,546</u>
Direct Awards:			
2011 - Assistance to Firefighters -FEMA	97.044		350,646
Total Direct Awards			<u>350,646</u>
Total U. S Department of Homeland Security			<u>399,192</u>
Total Federal Expenditures			<u>\$ 2,050,240</u>

See Notes to Schedule of Expenditures of Federal Awards.

CITY OF FRISCO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Frisco, Texas (the City) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements.

NOTE 2 – SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The Schedule of findings and questioned costs, including the summary of auditor's results is included on page seven.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditures reports as of September 30, 2012, which have been submitted to grantor agencies will, in some cases, differ from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

CITY OF FRISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified ? _____ Yes X None Reported

Noncompliance material to financial
statements noted? _____ Yes X No

Federal Awards

Internal Control over major program:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? X Yes _____ None Reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of
OMB Circular A-133? X Yes _____ No

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction – Phillips Creek Hike and Bike Trail –ARRA
97.044	Assistance to Firefighters – FEMA
81.128	Energy Efficiency and Conservation Block Grant -ARRA

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

CITY OF FRISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2012

Section II - Financial Statement Findings

There were no findings for the year ended September 30, 2012.

Section III - Federal Award Findings and Questioned Costs

Finding 2012-1

Program: Highway Planning and Construction – Phillips Creek Hike and Bike Trail – ARRA

CFDA No.: 20.205

Federal Agency: U.S. Department of Transportation

Passed-through: Texas Department of Transportation

Award No.: CSJ # 0918-46-260

Award Year: Fiscal year 2011-2012

Compliance Requirement: Procurement and Suspension and Debarment

Criteria:

The *June 2012 Office of Budget and Management (OMB) OMB Circular A-133 Compliance Supplement* states that when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred, or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties list System (EPLS)*, collecting a certification from the entity or adding a clause or condition to the covered transaction with that entity.

Condition Found:

Instance of Non-Compliance – The City did not maintain evidence of their verification of suspension and debarment.

Questioned Costs:

None noted.

Context:

The condition noted above was identified during our testing of the procurement and suspension and debarment requirements of the program. We noted that one vendor was utilized for \$710,226 of the federal expenditures under the program.

Effect:

The City increases its risk of contracting with a suspended and debarred vendor. However, subsequently, it was noted that the vendor was not suspended or debarred at the time of procurement.

CITY OF FRISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2012

Cause:

The City did not maintain evidence of verification of the suspended and debarred status of its vendors.

Recommendation:

The City should implement procedures to ensure that procurements and subawards of federally funded projects are verified for suspension and debarment and procedures are in place to ensure evidence of such verification is maintained in the grant files.

Views of Responsible Officials and Planned Corrective Actions:

The following procedure will be followed to ensure that procurements and subawards of federally funded projects are verified for suspension and debarment and to ensure that evidence of such verification is maintained in the grant files:

1. Annual Grant Workshops detailing the City requirements for grant applications, implementation, and reporting will now become mandatory for department grant managers. The next Grant Workshop is scheduled for June 20, 2013.
2. The Housing and Grants Administrator will review Grant Awards and compliance in SIRE before the item is placed on the City Council agenda for approval. The Financial Services Manager will review Community Development Block Grant Awards for compliance in SIRE before the item is placed on the City Council for agenda approval.
3. The Housing and Grants Administrator and the Financial Services Manager will meet with the department grant manager to set up the grant to continue to meet grant compliance, and then meet periodically to ensure grant compliance.
4. Housing and Grants Administrator will review all grant requisitions in MUNIS except for the Community Development Block Grant for grant compliance before a vendor is paid. The Financial Services Manager will review Community Development Block Grant requisitions in MUNIS for grant compliance before a vendor is paid.

Section IV – Prior Year Findings and Questioned Costs

There were no findings for the year ended September 30, 2011.